

SESSION OF 2007

SUPPLEMENTAL NOTE ON SENATE BILL NO. 362

As Amended by House Committee of the Whole

Brief*

SB 362 would modify the retirement plan for current and future members of the Kansas Public Employees Retirement System (KPERs) and provide certain benefit enhancements for current and retired KPERs members. For future KPERs members, the new retirement plan would include employees first hired on or after July 1, 2009. For current members, the group would include those first employed before July 1, 2009.

**Proposed New Plan for Future Employees
Hired on or after July 1, 2009**

The new plan would provide for the following:

- First-day membership;
- Five-year vesting;
- 1.75 percent defined benefit multiplier;
- Final average salary based on five highest years;
- Compensation cap of 7.5 percent on pay increases in five highest years for determining benefits;
- Normal retirement at age 65 with five years of service or age 60 with 30 years of service;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- Early retirement eligible at age 55 with 10 years of service with actuarially reduced benefits;
- Automatic, annual 2.0 percent cost-of-living adjustment at age 65;
- Employee contribution rate of 6.0 percent;
- Employer contribution rate at actuarial level, but not less than employee rate;
- Future cost increases to be shared equally by employers and employees;
- Partial lump sum option of 10.0, 20.0 or 30.0 percent at retirement; and
- Joint survivor factors actuarially determined by the KPERS Board of Trustees.

Modifications to Current Plan for Employees Hired prior to July 1, 2009

The amendments to the current plan would provide for the following:

- First-day membership for KPERS members; and
- Five-year vesting for employees hired before July 1, 2009.

One-Time Dividend Payment for Retired and Disabled Members

For retired and disabled KPERS, KP&F and Judicial members, the bill also would provide a one-time dividend payment of \$500 on October 1, 2007, to each member of the following groups:

- Retired members who retired prior to July 1, 1997, and who had at least 10 years of service credit;
- Joint annuitants or beneficiaries of retired members who had been retired 10 years and had at least 10 years of service credit; and
- Disabled members who received disability benefits prior to July 1, 1997.

The bill would direct KPERS to make payments from the Kansas Public Employees Retirement Fund. The cost of the payments shall be paid in FY 2008 for the state and school groups of KPERS, the state KP&F groups, and the Retirement System for Judges groups. The cost of the payments for local groups, including KPERS and KP&F, shall be paid by increased employer contributions over a 10-year period beginning after July 1, 2007.

Background

The Joint Committee on Pensions, Investments and Benefits recommended introduction of 2007 SB 362 to implement an alternative retirement plan for future state, school and local public employees who begin work on or after July 1, 2009. In addition, the Committee recommended other amendments to the present retirement plan for current public employees who work for state, school or local government employers. The proposed legislation would be included in the Kansas Public Employees Retirement System (KPERS) enabling statutes.

The Senate Committee on Ways and Means heard from three conferees. The Executive Director of KPERS and a representative of the Kansas Association of School Boards appeared in support of the legislation. The Kansas National Education Association's representative opposed certain provisions and asked for changes in the bill.

The KPERS actuary estimates through 2033 as a result of SB 362 that a reduction in employer contributions will result in savings of \$2.6 billion for state and school payments and \$1.0 billion for local participating employers. In addition, the provisions for current employees will have both a one-time cost and on-going costs. The first day membership provision is estimated to cost \$2.6 million, including \$1.3 million from the State General Fund, for the state in FY 2009. No estimate is available for the fiscal impact on local participating employers. The five-year vesting provision is estimated to cost \$4.2 million, including \$3.5 million from the State General Fund, for the state and school groups in FY 2010, or the first year that the impact is reflected in the actuarial valuation. Local cost is estimated at \$2.6 million for five-year vesting in the first year after implementation.

The House Committee of the Whole amended the bill to include a one-time dividend payment. The fiscal impact of a \$500 dividend payment that would be paid to 30,426 retired members and beneficiaries and 830 disabled members includes estimated costs for the State and School groups, \$11,674,000; Local group, \$3,539,000; Disabled state group, \$321,000; and Disabled local group, \$94,000.